

1 SENATE BILL NO. 333

2 INTRODUCED BY R. LAIBLE

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A MONTANA EDUCATION FUND; PROVIDING
5 THAT THE MONTANA EDUCATION FUND CONSISTS OF A PORTION OF THE OIL AND GAS PRODUCTION
6 TAXES COLLECTED ON COAL BED METHANE; PROVIDING THAT MONEY IN THE MONTANA EDUCATION
7 FUND BE USED FOR K-12 PUBLIC EDUCATION AND PUBLIC POSTSECONDARY EDUCATION;
8 PROVIDING A DEFINITION OF "COAL BED METHANE" FOR TAX PURPOSES; AMENDING SECTIONS
9 15-36-303 AND 15-36-324, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

10

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12

13 NEW SECTION. **Section 1. Montana education account.** (1) There is a Montana education special
14 revenue account in the state special revenue fund established in 17-2-102 to be known as the Montana
15 education fund.

16 (2) There must be deposited in the Montana education account proceeds from the oil and gas
17 production tax as provided in 15-36-324.

18 (3) The money in the Montana education account must be appropriated as follows:

19 (a) 80% for K-12 public education, 5% of which must be appropriated to the gifted and talented program
20 provided for in Title 20, chapter 7, part 9; and

21 (b) 20% for public postsecondary education.

22

23 **Section 2.** Section 15-36-303, MCA, is amended to read:

24 "**15-36-303. Definitions.** As used in this part, the following definitions apply:

25 (1) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

26 (2) "Coal bed methane" means natural gas produced at the wellhead from a coal bed by reducing water
27 pressure to recover the natural gas.

28 (2) "~~Department~~" means the department of revenue provided for in 2-15-1301.

29 (3) "Enhanced recovery project" means the use of any process for the displacement of oil from the earth
30 other than primary recovery and includes the use of an immiscible, miscible, chemical, thermal, or biological

1 process.

2 (4) "Existing enhanced recovery project" means an enhanced recovery project that began development
3 before January 1, 1994.

4 (5) "Expanded enhanced recovery project" or "expansion" means the addition of injection wells or
5 production wells, the recompletion of existing wells as horizontally completed wells, the change of an injection
6 pattern, or other operating changes to an existing enhanced recovery project that will result in the recovery of
7 oil that would not otherwise be recovered. The project must be developed after December 31, 1993.

8 (6) "Gross taxable value", for the purpose of computing the oil and natural gas production tax, means
9 the gross value of the product as determined in 15-36-305.

10 (7) "Horizontal drain hole" means that portion of a well bore with 70 degrees to 110 degrees deviation
11 from the vertical and a horizontal projection within the common source of supply, as that term is defined by the
12 board, that exceeds 100 feet.

13 (8) "Horizontally completed well" means:

14 (a) a well with one or more horizontal drain holes; and

15 (b) any other well classified by the board as a horizontally completed well.

16 (9) "Incremental production" means:

17 (a) the volume of oil produced by a new enhanced recovery project, by a well in primary recovery
18 recompleted as a horizontally completed well, or by an expanded enhanced recovery project, which volume of
19 production is in excess of the production decline rate established under the conditions existing before:

20 (i) the commencement of the recompletion of a well as a horizontally completed well;

21 (ii) expansion of the existing enhanced recovery project; or

22 (iii) commencing a new enhanced recovery project; or

23 (b) in the case of any project that had no taxable production prior to commencing the enhanced
24 recovery project, all production of oil from the enhanced recovery project.

25 (10) "Natural gas" or "gas" means natural gas, coal bed methane, and other fluid hydrocarbons, other
26 than oil, produced at the wellhead.

27 (11) "New enhanced recovery project" means an enhanced recovery project that began development
28 after December 31, 1993.

29 (12) "Nonworking interest owner" means any interest owner who does not share in the exploration,
30 development, and operation costs of the lease or unit, except for production taxes.

1 (13) "Oil" means crude petroleum or mineral oil and other hydrocarbons, regardless of gravity, that are
2 produced at the wellhead in liquid form and that are not the result of condensation of gas after it leaves the
3 wellhead.

4 (14) "Operator" or "producer" means a person who produces oil or natural gas within this state or who
5 owns, controls, manages, leases, or operates within this state any well or wells from which any marketable oil
6 or natural gas is extracted or produced.

7 (15) "Post-1999 well" means an oil or natural gas well drilled on or after January 1, 1999, that produces
8 oil or natural gas or a well that has not produced oil or natural gas during the 5 years immediately preceding the
9 first month of qualifying as a post-1999 well.

10 (16) "Pre-1999 well" means an oil or natural gas well that was drilled before January 1, 1999.

11 (17) "Primary recovery" means the displacement of oil from the earth into the well bore by means of the
12 natural pressure of the oil reservoir and includes artificial lift.

13 (18) "Production decline rate" means the projected rate of future oil production, extrapolated by a method
14 approved by the board, that must be determined for a project area prior to commencing a new or expanded
15 enhanced recovery project or the recompletion of a well as a horizontally completed well. The approved
16 production decline rate must be certified in writing to the department by the board. In that certification, the board
17 shall identify the project area and shall specify the projected rate of future oil production by calendar year and
18 by calendar quarter within each year. The certified rate of future oil production must be used to determine the
19 volume of incremental production that qualifies for the tax rate imposed under 15-36-304(5)(e).

20 (19) (a) "Qualifying production" means the first 12 months of production of oil or natural gas from a well
21 drilled after December 31, 1998, or the first 18 months of production of oil or natural gas from a horizontally
22 completed well drilled after December 31, 1998, or from a well that has not produced oil or natural gas during
23 the 5 years immediately preceding the first month of qualifying production.

24 (b) Qualifying production does not include oil production from a horizontally recompleted well.

25 (20) "Secondary recovery project" means an enhanced recovery project, other than a tertiary recovery
26 project, that commenced or was expanded after December 31, 1993, and meets each of the following
27 requirements:

28 (a) The project must be certified as a secondary recovery project to the department by the board. The
29 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

30 (b) The property to be affected by the project must be adequately delineated according to the

1 specifications required by the board.

2 (c) The project must involve the application of secondary recovery methods that can reasonably be
3 expected to result in an increase, determined by the board to be significant in light of all the facts and
4 circumstances, in the amount of oil that may potentially be recovered. For purposes of this part, secondary
5 recovery methods include but are not limited to:

6 (i) the injection of water into the producing formation for the purposes of maintaining pressure in that
7 formation or for the purpose of increasing the flow of oil from the producing formation to a producing well bore;

8 or

9 (ii) any other method approved by the board as a secondary recovery method.

10 (21) "Stripper natural gas" means the natural gas produced from any well that produces less than 60,000
11 cubic feet of natural gas a day during the calendar year immediately preceding the current year. Production must
12 be determined by dividing the amount of production from a lease or unitized area for the year immediately
13 preceding the current calendar year by the number of producing wells in the lease or unitized area and by
14 dividing the resulting quotient by 365.

15 (22) "Stripper oil" means the oil produced from any well that produces less than 15 barrels a day for the
16 calendar year immediately preceding the current year if the average price for a barrel of oil as reported in the
17 Wall Street Journal for west Texas intermediate crude oil during a calendar quarter is less than \$30 a barrel. If
18 the price of oil is equal to or greater than \$30 a barrel in a calendar quarter, there is no stripper tax rate in that
19 quarter. There is no stripper well exemption tax rate if the average price for a barrel of oil as reported in the Wall
20 Street Journal for west Texas intermediate crude oil during a calendar quarter is more than \$38 a barrel. The
21 average price for a barrel is computed by dividing the sum of the daily price for west Texas intermediate crude
22 oil as reported in the Wall Street Journal for the calendar quarter by the number of days on which the price was
23 reported in the quarter. Production must be determined by dividing the amount of production from a lease or
24 unitized area for the year immediately preceding the current calendar year by the number of producing wells in
25 the lease or unitized area and by dividing the resulting quotient by 365.

26 (23) "Stripper well exemption" means petroleum and other mineral or crude oil produced by a stripper
27 well that produces 3 barrels a day or less.

28 (24) "Tertiary recovery project" means an enhanced recovery project, other than a secondary recovery
29 project, using a tertiary recovery method that meets the following requirements:

30 (a) The project must be certified as a tertiary recovery project to the department by the board. The

1 certification may be extended only after notice and hearing in accordance with Title 2, chapter 4.

2 (b) The property to be affected by the project must be adequately delineated in the certification
3 according to the specifications required by the board.

4 (c) The project must involve the application of one or more tertiary recovery methods that can
5 reasonably be expected to result in an increase, determined by the board to be significant in light of all the facts
6 and circumstances, in the amount of crude oil that may potentially be recovered. For purposes of this part,
7 tertiary recovery methods include but are not limited to:

8 (i) miscible fluid displacement;

9 (ii) steam drive injection;

10 (iii) micellar/emulsion flooding;

11 (iv) in situ combustion;

12 (v) polymer augmented water flooding;

13 (vi) cyclic steam injection;

14 (vii) alkaline or caustic flooding;

15 (viii) carbon dioxide water flooding;

16 (ix) immiscible carbon dioxide displacement; or

17 (x) any other method approved by the board as a tertiary recovery method.

18 (25) "Well" or "wells" means a single well or a group of wells in one field or production unit and under
19 the control of one operator or producer.

20 (26) "Working interest owner" means the owner of an interest in an oil or natural gas well or wells who
21 bears any portion of the exploration, development, and operating costs of the well or wells."
22

23 **Section 3.** Section 15-36-324, MCA, is amended to read:

24 **"15-36-324. (Temporary) Distribution of taxes -- rules.** (1) For each calendar quarter, the department
25 shall determine the amount of tax, late payment interest, and penalty collected under this part. For purposes of
26 distribution of the taxes to county and school taxing units, the department shall determine the amount of oil and
27 natural gas production taxes paid on production in the taxing unit.

28 (2) Except as provided in subsections (3) through (5), oil production taxes must be distributed as
29 follows:

30 (a) The amount equal to 39.3% of the oil production taxes, including late payment interest and penalty,

1 collected under this part must be distributed as provided in subsection (9).

2 (b) The remaining 60.7% of the oil production taxes, plus accumulated interest earned on the amount
3 allocated under this subsection (2)(b), must be deposited in the state special revenue fund established in ~~the~~
4 ~~state treasury 17-2-102~~ and transferred to the county and school taxing units for distribution as provided in
5 subsection (12).

6 (3) The amount equal to 100% of the oil production taxes, including late payment interest and penalty,
7 collected from working interest owners on qualifying production occurring during the first 12 months of production
8 must be distributed as provided in subsection (10).

9 (4) (a) The amount equal to 100% of the oil production taxes, including late payment interest and
10 penalty, collected from working interest owners on production from horizontally completed wells occurring during
11 the first 18 months of production must be distributed as provided in subsection (10).

12 (b) The amount equal to 100% of the oil production taxes, including late payment interest and penalty,
13 collected from working interest owners on the incremental production from horizontally recompleted wells
14 occurring during the first 18 months of production must be distributed as provided in subsection (9).

15 (5) (a) The amount equal to 13.8% of the oil production taxes, including late payment interest and
16 penalty, collected from working interest owners on the first 10 barrels of stripper oil production wells must be
17 distributed as provided in subsection (10).

18 (b) The remaining 86.2% of the oil production taxes, plus accumulated interest earned on the amount
19 allocated under this subsection (5)(b), must be deposited in the state special revenue fund established in ~~the~~
20 ~~state treasury 17-2-102~~ and transferred to the county and school taxing units for distribution as provided in
21 subsection (12).

22 (c) The amount equal to 100% of the oil production taxes, including late payment interest and penalty,
23 collected from working interest owners on stripper well exemption production from pre-1999 wells and post-1999
24 wells must be distributed as provided in subsection (10).

25 (6) Except as provided in subsections (7) and (8), natural gas production taxes must be allocated as
26 follows:

27 (a) The amount equal to 14% of the natural gas production taxes, including late payment interest and
28 penalty, collected under this part must be distributed as provided in subsection (11).

29 (b) The remaining 86% of the natural gas production taxes, plus accumulated interest earned on the
30 amount allocated under this subsection (6)(b), must be deposited in the state special revenue fund established

1 in ~~the state treasury~~ 17-2-102 and transferred to the county and school taxing units for distribution as provided
2 in subsection (12).

3 (7) The amount equal to 100% of the natural gas production taxes, including late payment interest and
4 penalty, collected from working interest owners under this part on production from wells occurring during the first
5 12 months of production must be distributed as provided in subsection (10).

6 (8) The amount equal to 100% of natural gas production taxes, including late payment interest and
7 penalty, collected from working interest owners on production from horizontally completed wells occurring during
8 the first 18 months of production must be distributed as provided in subsection (10).

9 (9) The department shall, in accordance with the provisions of 15-1-501, distribute the state portion of
10 oil production taxes specified in subsections (2)(a) and (4)(b), including late payment interest and penalty
11 collected, as follows:

12 (a) 86.21% to the state general fund;

13 (b) 5.17% to the state special revenue fund established in 17-2-102 for the purpose of paying expenses
14 of the board as provided in 82-11-135; and

15 (c) 8.62% to be distributed as follows:

16 (i) a total of \$400,000, including the proceeds from subsections (10)(b)(i) and ~~(11)(c)(i)~~ (11)(a)(iii)(A),
17 to the coal bed methane protection account established in 76-15-904;

18 ~~—— (ii) for the fiscal year ending June 30, 2003, all of the remaining proceeds to the state general fund;~~

19 ~~(iii)(ii) for the fiscal years beginning on or after July 1, 2003, 50% of the remaining proceeds to the~~
20 reclamation and development grants special revenue account established in 90-2-1104; and

21 ~~(iv)(iii) for the fiscal years beginning on or after July 1, 2003, 50% of the remaining proceeds to the~~
22 orphan share account established in 75-10-743.

23 (10) The department shall distribute the state portion of oil and natural gas production taxes specified
24 in subsections (3), (4)(a), (5)(a), (5)(c), (7), and (8), including late payment interest and penalty collected, as
25 follows:

26 (a) 37.5% to the state special revenue fund established in 17-2-102 for the purpose of paying expenses
27 of the board as provided in 82-11-135; and

28 (b) 62.5% to be distributed as follows:

29 (i) a total of \$400,000, including the proceeds from subsections (9)(c)(i) and ~~(11)(e)(i)~~ (11)(a)(iii)(A), to
30 the coal bed methane protection account established in 76-15-904;

1 ~~———(ii) for the fiscal year ending June 30, 2003, all of the remaining proceeds to the state general fund;~~
 2 ~~(iii)(ii) for the fiscal years beginning on or after July 1, 2003, 50% of the remaining proceeds to the~~
 3 ~~reclamation and development grants special revenue account established in 90-2-1104; and~~
 4 ~~(iv)(iii) for the fiscal years beginning on or after July 1, 2003, 50% of the remaining proceeds to the~~
 5 ~~orphan share account established in 75-10-743.~~

6 (11) (a) The Except as provided in subsection (11)(b), the department shall, in accordance with the
 7 provisions of 15-1-501, distribute the state portion of natural gas production taxes specified in subsection (6)(a),
 8 including late payment interest and penalty collected, as follows:

9 ~~(a)(i)~~ (i) 76.8% to the state general fund;

10 ~~(b)(ii)~~ (ii) 8.7% to the state special revenue fund established in 17-2-102 for the purpose of paying expenses
 11 of the board as provided in 82-11-135; and

12 ~~(c)(iii)~~ (iii) 14.5% to be distributed as follows:

13 ~~(d)(A)~~ (A) a total of \$400,000, including the proceeds from subsections (9)(c)(i) and (10)(b)(i), to the coal
 14 bed methane protection account established in 76-15-904;

15 ~~(ii) for the fiscal year ending June 30, 2003, all of the remaining proceeds to the state general fund;~~

16 ~~(iii)(B) for the fiscal years beginning on or after July 1, 2003, 50% of the remaining proceeds to the~~
 17 ~~reclamation and development grants special revenue account established in 90-2-1104; and~~

18 ~~(iv)(C) for the fiscal years beginning on or after July 1, 2003, 50% of the remaining proceeds to the~~
 19 ~~orphan share account established in 75-10-743.~~

20 (b) The department shall, in accordance with the provisions of 15-1-501, distribute the state portion of
 21 natural gas production taxes on coal bed methane specified in subsection (6)(a), including late payment interest
 22 and penalty collected, as follows:

23 (i) 38.4% to the state general fund;

24 (ii) 38.4% to the Montana education fund established in [section 1]; and

25 (iii) the remainder to be distributed as provided in subsections (11)(a)(ii) and (11)(a)(iii).

26 (12) (a) By the dates referred to in subsection (13), the department shall, except as provided in
 27 subsection (12)(b), calculate and distribute oil and natural gas production taxes received under subsections
 28 (2)(b), (5)(b), and (6)(b) to each eligible county in proportion to the oil and natural gas production taxes received
 29 under subsections (2)(b), (5)(b), and (6)(b) that are attributable to production in that county.

30 (b) The department shall distribute 5% of the oil and natural gas production taxes received under

1 subsections (2)(b), (5)(b), and (6)(b) from pre-1999 wells to eligible counties in proportion to the underfunding
2 that would have occurred from the tax liability distribution of pre-1985 oil and natural gas production taxes for
3 production in calendar year 1997.

4 (c) Except as provided in subsection (12)(d), the county treasurer shall distribute the money received
5 under subsection (12)(b) to the taxing units that levied mills in fiscal year 1990 against calendar year 1988
6 production in the same manner that all other property tax proceeds were distributed during fiscal year 1990 in
7 the taxing unit, except that a distribution may not be made to a municipal taxing unit.

8 (d) The board of county commissioners of a county may direct the county treasurer to reallocate the
9 distribution of oil and natural gas production tax money that would have gone to a taxing unit, as provided in
10 subsection (12)(c), to another taxing unit or taxing units, other than an elementary school or high school, within
11 the county under the following conditions:

12 (i) The county treasurer shall first allocate the oil and natural gas production taxes to the taxing units
13 within the county in the same proportion that all other property tax proceeds were distributed in the county in
14 fiscal year 1990.

15 (ii) If the allocation in subsection (12)(d)(i) exceeds the total budget for a taxing unit, the commissioners
16 may direct the county treasurer to allocate the excess to any taxing unit within the county.

17 (e) The board of trustees of an elementary or high school district may reallocate the oil and natural gas
18 production taxes distributed to the district by the county treasurer under the following conditions:

19 (i) The district shall first allocate the oil and natural gas production taxes to the budgeted funds of the
20 district in the same proportion that all other property tax proceeds were distributed in the district in fiscal year
21 1990.

22 (ii) If the allocation under subsection (12)(e)(i) exceeds the total budget for a fund, the trustees may
23 allocate the excess to any budgeted fund of the school district.

24 (f) The county treasurer shall distribute oil and natural gas production taxes received under subsection
25 (12)(a) between county and school taxing units in the relative proportions required by the levies for state, county,
26 and school district purposes in the same manner as property taxes were distributed in the preceding fiscal year.

27 (g) The allocation to the county in subsection (12)(f) must be distributed by the county treasurer in the
28 relative proportions required by the levies for county taxing units and in the same manner as property taxes were
29 distributed in the preceding fiscal year.

30 (h) The money distributed in subsection (12)(f) that is required for the county mill levies for school

1 district retirement obligations and transportation schedules must be deposited to the funds established for these
2 purposes.

3 (i) The oil and natural gas production taxes distributed under subsection (12)(c) that are required for
4 the 6-mill university levy imposed under 20-25-423 and for the county equalization levies imposed under
5 20-9-331 and 20-9-333, as those sections read on July 1, 1989, must be remitted by the county treasurer to the
6 department.

7 (j) The oil and natural gas production taxes distributed under subsection (12)(f) that are required for the
8 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed under 20-9-331 and
9 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be remitted by the county
10 treasurer to the department.

11 (k) The amount of oil and natural gas production taxes remaining after the treasurer has remitted the
12 amounts determined in subsections (12)(i) and (12)(j) is for the exclusive use and benefit of the county and
13 school taxing units.

14 (13) The department shall remit the amounts to be distributed in subsection (12) to the county treasurer
15 by the following dates:

16 (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and natural
17 gas production tax payments received for the calendar quarter ending March 31 of the current year.

18 (b) On or before November 1 of each year, the department shall remit to the county treasurer oil and
19 natural gas production tax payments received for the calendar quarter ending June 30 of the current year.

20 (c) On or before February 1 of each year, the department shall remit to the county treasurer oil and
21 natural gas production tax payments received for the calendar quarter ending September 30 of the previous
22 year.

23 (d) On or before May 1 of each year, the department shall remit to the county treasurer oil and natural
24 gas production tax payments received for the calendar quarter ending December 31 of the previous calendar
25 year.

26 (14) The department shall provide to each county by May 31 of each year the amount of gross taxable
27 value represented by all types of production taxed under 15-36-304 for the previous calendar year multiplied by
28 60%. The resulting value must be treated as taxable value for county classification purposes.

29 (15) (a) In the event that the board revises the privilege and license tax pursuant to 82-11-131, the
30 department shall, by rule, change the formula under this section for distribution of taxes collected under

1 15-36-304. The revised formula must provide for the distribution of taxes in an amount equal to the rate adopted
2 by the board for its expenses.

3 (b) Before the department adopts a rule pursuant to subsection (15)(a), it shall present the proposed
4 rule to the appropriate administrative rule review committee.

5 (16) The distribution to taxing units under this section is statutorily appropriated as provided in 17-7-502.
6 (Terminates June 30, 2011--sec. 10, Ch. 531, L. 2001; sec. 8(2), Ch. 12, Sp. L. August 2002.)

7 **15-36-324. (Effective July 1, 2011) Distribution of taxes -- rules.** (1) For each calendar quarter, the
8 department shall determine the amount of tax, late payment interest, and penalty collected under this part. For
9 purposes of distribution of the taxes to county and school taxing units, the department shall determine the
10 amount of oil and natural gas production taxes paid on production in the taxing unit.

11 (2) Except as provided in subsections (3) through (5), oil production taxes must be distributed as
12 follows:

13 (a) The amount equal to 39.3% of the oil production taxes, including late payment interest and penalty,
14 collected under this part must be distributed as provided in subsection (9).

15 (b) The remaining 60.7% of the oil production taxes, plus accumulated interest earned on the amount
16 allocated under this subsection (2)(b), must be deposited in the state special revenue fund established in the
17 state treasury 17-2-102 and transferred to the county and school taxing units for distribution as provided in
18 subsection (12).

19 (3) The amount equal to 100% of the oil production taxes, including late payment interest and penalty,
20 collected from working interest owners on qualifying production occurring during the first 12 months of production
21 must be distributed as provided in subsection (10).

22 (4) (a) The amount equal to 100% of the oil production taxes, including late payment interest and
23 penalty, collected from working interest owners on production from horizontally completed wells occurring during
24 the first 18 months of production must be distributed as provided in subsection (10).

25 (b) The amount equal to 100% of the oil production taxes, including late payment interest and penalty,
26 collected from working interest owners on the incremental production from horizontally recompleted wells
27 occurring during the first 18 months of production must be distributed as provided in subsection (9).

28 (5) (a) The amount equal to 13.8% of the oil production taxes, including late payment interest and
29 penalty, collected from working interest owners on the first 10 barrels of stripper oil production wells must be
30 distributed as provided in subsection (10).

1 (b) The remaining 86.2% of the oil production taxes, plus accumulated interest earned on the amount
2 allocated under this subsection (5)(b), must be deposited in the state special revenue fund established in the
3 ~~state treasury 17-2-102~~ and transferred to the county and school taxing units for distribution as provided in
4 subsection (12).

5 (c) The amount equal to 100% of the oil production taxes, including late payment interest and penalty,
6 collected from working interest owners on stripper well exemption production from pre-1999 wells and post-1999
7 wells must be distributed as provided in subsection (10).

8 (6) Except as provided in subsections (7) and (8), natural gas production taxes must be allocated as
9 follows:

10 (a) The amount equal to 14% of the natural gas production taxes, including late payment interest and
11 penalty, collected under this part must be distributed as provided in subsection (11).

12 (b) The remaining 86% of the natural gas production taxes, plus accumulated interest earned on the
13 amount allocated under this subsection (6)(b), must be deposited in the state special revenue fund established
14 ~~in the state treasury 17-2-102~~ and transferred to the county and school taxing units for distribution as provided
15 in subsection (12).

16 (7) The amount equal to 100% of the natural gas production taxes, including late payment interest and
17 penalty, collected from working interest owners under this part on production from wells occurring during the first
18 12 months of production must be distributed as provided in subsection (10).

19 (8) The amount equal to 100% of natural gas production taxes, including late payment interest and
20 penalty, collected from working interest owners on production from horizontally completed wells occurring during
21 the first 18 months of production must be distributed as provided in subsection (10).

22 (9) The department shall, in accordance with the provisions of 15-1-501, distribute the state portion of
23 oil production taxes specified in subsections (2)(a) and (4)(b), including late payment interest and penalty
24 collected, as follows:

25 (a) 86.21% to the state general fund;

26 (b) 5.17% to the state special revenue fund established in 17-2-102 for the purpose of paying expenses
27 of the board as provided in 82-11-135; and

28 (c) 8.62% to be distributed as follows:

29 (i) 50% to the resource indemnity trust fund of the nonexpendable trust fund type;

30 (ii) 25% to the reclamation and development grants special revenue account established in 90-2-1104;

1 and

2 (iii) 25% to the orphan share account established in 75-10-743.

3 (10) The department shall distribute the state portion of oil and natural gas production taxes specified
4 in subsections (3), (4)(a), (5)(a), (5)(c), (7), and (8), including late payment interest and penalty collected, as
5 follows:

6 (a) 37.5% to the state special revenue fund established in 17-2-102 for the purpose of paying expenses
7 of the board as provided in 82-11-135; and

8 (b) 62.5% to be distributed as follows:

9 (i) 50% to the resource indemnity trust fund of the nonexpendable trust fund type;

10 (ii) 25% to the reclamation and development grants special revenue account established by 90-2-1104;

11 and

12 (iii) 25% to the orphan share account established in 75-10-743.

13 (11) ~~(a)~~ The Except as provided in subsection (11)(b), the department shall, in accordance with the
14 provisions of 15-1-501, distribute the state portion of natural gas production taxes specified in subsection (6)(a),
15 including late payment interest and penalty collected, as follows:

16 ~~(a)(i)~~ (i) 76.8% to the state general fund;

17 ~~(b)(ii)~~ (ii) 8.7% to the state special revenue fund established in 17-2-102 for the purpose of paying expenses
18 of the board as provided in 82-11-135; and

19 ~~(c)(iii)~~ (iii) 14.5% to be distributed as follows:

20 ~~(i)(A)~~ (A) 50% to the resource indemnity trust fund of the nonexpendable trust fund type;

21 ~~(ii)(B)~~ (B) 25% to the reclamation and development grants special revenue account established in
22 90-2-1104; and

23 ~~(iii)(C)~~ (C) 25% to the orphan share account established in 75-10-743.

24 (b) The department shall, in accordance with the provisions of 15-1-501, distribute the state portion of
25 natural gas production taxes on coal bed methane specified in subsection (6)(a), including late payment interest
26 and penalty collected, as follows:

27 (i) 38.4% to the state general fund;

28 (ii) 38.4% to the Montana education fund established in [section 1]; and

29 (iii) the remainder to be distributed as provided in subsections (11)(a)(ii) and (11)(a)(iii).

30 (12) (a) By the dates referred to in subsection (13), the department shall, except as provided in

1 subsection (12)(b), calculate and distribute oil and natural gas production taxes received under subsections
2 (2)(b), (5)(b), and (6)(b) to each eligible county in proportion to the oil and natural gas production taxes received
3 under subsections (2)(b), (5)(b), and (6)(b) that are attributable to production in that county.

4 (b) The department shall distribute 5% of the oil and natural gas production taxes received under
5 subsections (2)(b), (5)(b), and (6)(b) from pre-1999 wells to eligible counties in proportion to the underfunding
6 that would have occurred from the tax liability distribution of pre-1985 oil and natural gas production taxes for
7 production in calendar year 1997.

8 (c) Except as provided in subsection (12)(d), the county treasurer shall distribute the money received
9 under subsection (12)(b) to the taxing units that levied mills in fiscal year 1990 against calendar year 1988
10 production in the same manner that all other property tax proceeds were distributed during fiscal year 1990 in
11 the taxing unit, except that a distribution may not be made to a municipal taxing unit.

12 (d) The board of county commissioners of a county may direct the county treasurer to reallocate the
13 distribution of oil and natural gas production tax money that would have gone to a taxing unit, as provided in
14 subsection (12)(c), to another taxing unit or taxing units, other than an elementary school or high school, within
15 the county under the following conditions:

16 (i) The county treasurer shall first allocate the oil and natural gas production taxes to the taxing units
17 within the county in the same proportion that all other property tax proceeds were distributed in the county in
18 fiscal year 1990.

19 (ii) If the allocation in subsection (12)(d)(i) exceeds the total budget for a taxing unit, the commissioners
20 may direct the county treasurer to allocate the excess to any taxing unit within the county.

21 (e) The board of trustees of an elementary or high school district may reallocate the oil and natural gas
22 production taxes distributed to the district by the county treasurer under the following conditions:

23 (i) The district shall first allocate the oil and natural gas production taxes to the budgeted funds of the
24 district in the same proportion that all other property tax proceeds were distributed in the district in fiscal year
25 1990.

26 (ii) If the allocation under subsection (12)(e)(i) exceeds the total budget for a fund, the trustees may
27 allocate the excess to any budgeted fund of the school district.

28 (f) The county treasurer shall distribute oil and natural gas production taxes received under subsection
29 (12)(a) between county and school taxing units in the relative proportions required by the levies for state, county,
30 and school district purposes in the same manner as property taxes were distributed in the preceding fiscal year.

1 (g) The allocation to the county in subsection (12)(f) must be distributed by the county treasurer in the
2 relative proportions required by the levies for county taxing units and in the same manner as property taxes were
3 distributed in the preceding fiscal year.

4 (h) The money distributed in subsection (12)(f) that is required for the county mill levies for school
5 district retirement obligations and transportation schedules must be deposited to the funds established for these
6 purposes.

7 (i) The oil and natural gas production taxes distributed under subsection (12)(c) that are required for
8 the 6-mill university levy imposed under 20-25-423 and for the county equalization levies imposed under
9 20-9-331 and 20-9-333, as those sections read on July 1, 1989, must be remitted by the county treasurer to the
10 department.

11 (j) The oil and natural gas production taxes distributed under subsection (12)(f) that are required for the
12 6-mill university levy imposed under 20-25-423, for the county equalization levies imposed under 20-9-331 and
13 20-9-333, and for the state equalization aid levy imposed under 20-9-360 must be remitted by the county
14 treasurer to the department.

15 (k) The amount of oil and natural gas production taxes remaining after the treasurer has remitted the
16 amounts determined in subsections (12)(i) and (12)(j) is for the exclusive use and benefit of the county and
17 school taxing units.

18 (13) The department shall remit the amounts to be distributed in subsection (12) to the county treasurer
19 by the following dates:

20 (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and natural
21 gas production tax payments received for the calendar quarter ending March 31 of the current year.

22 (b) On or before November 1 of each year, the department shall remit to the county treasurer oil and
23 natural gas production tax payments received for the calendar quarter ending June 30 of the current year.

24 (c) On or before February 1 of each year, the department shall remit to the county treasurer oil and
25 natural gas production tax payments received for the calendar quarter ending September 30 of the previous
26 year.

27 (d) On or before May 1 of each year, the department shall remit to the county treasurer oil and natural
28 gas production tax payments received for the calendar quarter ending December 31 of the previous calendar
29 year.

30 (14) The department shall provide to each county by May 31 of each year the amount of gross taxable

1 value represented by all types of production taxed under 15-36-304 for the previous calendar year multiplied by
2 60%. The resulting value must be treated as taxable value for county classification purposes.

3 (15) (a) In the event that the board revises the privilege and license tax pursuant to 82-11-131, the
4 department shall, by rule, change the formula under this section for distribution of taxes collected under
5 15-36-304. The revised formula must provide for the distribution of taxes in an amount equal to the rate adopted
6 by the board for its expenses.

7 (b) Before the department adopts a rule pursuant to subsection (15)(a), it shall present the proposed
8 rule to the appropriate administrative rule review committee.

9 (16) The distribution to taxing units under this section is statutorily appropriated as provided in 17-7-502."
10

11 NEW SECTION. Section 4. Codification instruction. [Section 1] is intended to be codified as an
12 integral part of Title 20, and the provisions of Title 20 apply to [section 1].

13

14 NEW SECTION. Section 5. Effective date. [This act] is effective July 1, 2003.

15

16 NEW SECTION. Section 6. Applicability. [This act] applies to coal bed methane produced after June
17 30, 2003.

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